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25X1

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25X1

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25X1

25X1A

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SUMMARY

FAR EAST

1. Karens and Burmese Communists continue to discuss alliance (page 3).

SOUTH ASIA

2. Comment on the new Ceylonese leftist coalition (page 3).

NEAR EAST - AFRICA

3. Iranian Prime Minister admits inability to sell oil (page 4).
4. Egyptian Prime Minister will postpone elections (page 4).
5. Egypt now opposes draft statement on Anglo-Egyptian negotiations (page 5).
6.
7. Bey delays Tunisian Cabinet appointments (page 6).

25X1

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25X1A

- 2 -

25X1A

Approved For Release 2003/10/15 : CIA-RDP79T00975A000600420001-8

25X1A

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FAR EAST

1. Karens and Burmese Communists continue to discuss alliance:

25X1A

Representatives of the insurgent Karens and the Communists are reported [redacted]

25X1

25X1

[redacted] to have met on about 1 March and agreed to the formation of a separate Karen state when the Burmese Government is overthrown. Concurrence was also reached to hold further discussions prior to a final meeting between the top leaders to establish a "common policy." This conference is scheduled for early summer.

Comment: Recent reports on the progress of Karen-Communist negotiations have been conflicting. This information indicates that the Communists are continuing their heretofore fruitless efforts to obtain an alliance with the Karens.

SOUTH ASIA

2. Comment on the new Ceylonese leftist coalition:

Former Minister of Health Bandaranaike, leader of the leftist Ceylonese Freedom Party, and the Trotskyite Party have combined forces to threaten the incumbent United National Party at the general elections in May. Bandaranaike resigned last July over policy and subsequently made successful coalition approaches toward the Trotskyites.

The United National Party, which now has a small parliamentary majority, may have it lessened by defections to the new opposition Freedom Party coalition, and may thus lose effective control of the government through the necessity of making opportunistic compromises in exchange for independent votes. A Communist-dominated government might develop from the situation.

- 3 -

25X1A

Approved For Release 2003/10/15 : CIA-RDP79T00975A000600420001-8

25X1A

Approved For Release 2003/10/15 : CIA-RDP79T00975A000600420001-8

NEAR EAST - AFRICA

3. Iranian Prime Minister admits inability to sell oil:

25X1A



Great Britain has been "singularly successful" in preventing reopening of the Iranian oil industry, Prime Minister Mossadeq told the American Ambassador, and Iran has so far been unable to sell a "single drop of oil." Mossadeq again added that anti-British sentiment is so strong that law and order would be threatened if British technicians returned to the oil fields.

Comment: Western oil companies, fearful of jeopardizing their world-wide operations, have refused to make offers for Iranian oil.

25X1

Mossadeq has received offers from Western as well as Iron Curtain countries; some of these offers have mentioned the availability of tankers.

25X1

4. Egyptian Prime Minister will postpone elections:

25X1A



The Egyptian Foreign Minister informed the American Ambassador that in response to British wishes Prime Minister Hilali has decided to act on 12 April to postpone the parliamentary elections scheduled for 18 May. This action is to be taken in spite of the expected uproar from Wafd extremist elements. Some mention has been made that August would be the new date for elections.

Comment: Previous reports from Cairo have insisted that the elections would not be held on schedule. The Arab press on 11 April stated that the elections would be postponed until October.

25X1A



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25X1A

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5. Egypt now opposes draft statement on Anglo-Egyptian negotiations:

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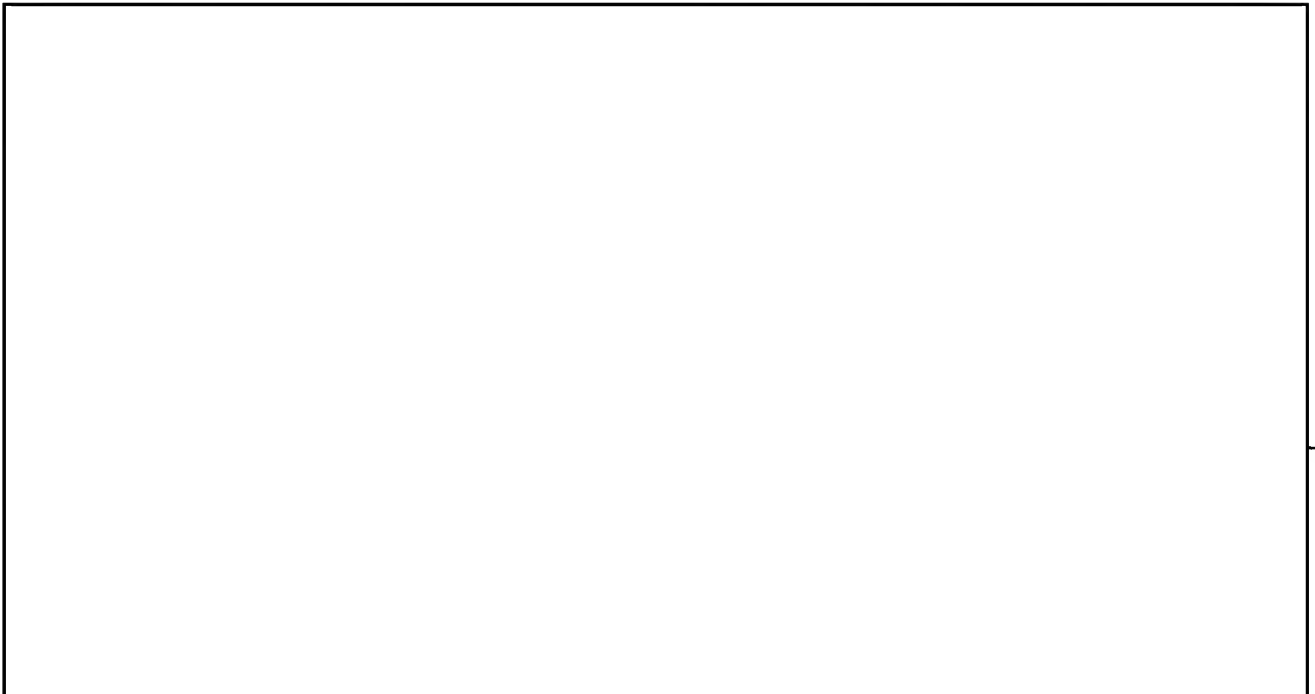
Egypt, according to Foreign Minister Hassouna Pasha, is unwilling to accept a British Foreign Office revision of the proposed statement, previously agreed upon in Cairo by the British Ambassador and the Egyptian Foreign Minister, which is to precede negotiations. Hassouna states that as a result of the promulgation of the Sudan constitution Prime Minister Hilali

Pasha is now so skeptical of British intentions that he has become opposed to the original draft declaration.

Hassouna adds that "in order to cover up for the Egyptian public what is going on," former Ambassador to London, Amr Pasha, will soon go to England ostensibly to give Foreign Secretary Eden an account of Egypt's position.

25X1

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Approved For Release 2003/10/15 : CIA-RDP79T00975A000600420001-8

25X1A

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7. Bey delays Tunisian Cabinet appointments:

25X1A



According to a reliable Tunisian journalist, the Bey is "stalling" approval of cabinet appointments until after the Security Council has acted on the Tunisian question. Consequently the Resident General in Tunis, in order to aid France's UN delegation in defending its position, authorized a fictitious press release stating that the cabinet had already been formed.

Prime Minister Baccouche and the cabinet nominees are said to be "growing nervous" over charges that they are Quislings.

Comment: In view of the Security Council's postponement of the Tunisian question on 10 April, the French may be expected to renew pressure on the Bey for the installation of a cabinet.

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